

THE ASSOCIATION TO PRESERVE THE EATONVILLE COMMUNITY, INC.

FINANCIAL STATEMENTS

September 30, 2011 and 2010

AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

THE ASSOCIATION TO PRESERVE THE EATONVILLE COMMUNITY, INC.
FINANCIAL STATEMENTS
September 30, 2011

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Florida Institute of Certified Public Accountants
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National Association of Accountants
Institute of Certified Management Accountants

Report of Independent Certified Public Accountant

To the Board of Directors
The Association to Preserve the Eatonville Community, Inc.

I have audited the accompanying statement of financial position of The Association to Preserve the Eatonville Community, Inc. (a nonprofit organization) as of September 30, 2011, and the related statements of activities, and cash flows for the twelve months then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides reasonable basis for my opinion. The balance sheet of The Association to Preserve the Eatonville Community, Inc. as of September 30, 2010 and the related statement of activities and cash flows for the twelve months then ended were audited by other auditors whose report dated July 21, 2011 did express an unqualified opinion on those statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Association to Preserve the Eatonville Community, Inc. as of September 30, 2011, and the changes in its net assets and its cash flows for the twelve months then ended in conformity with accounting principles generally accepted in the United States of America.



Antonio Lemus, C.P.A., P.A.
Altamonte Springs, FL
May 4, 2012

THE ASSOCIATION TO PRESERVE THE EATONVILLE COMMUNITY, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2011 AND 2010

ASSETS	2011	2010
Current Assets		
Cash and cash equivalents	\$ 1,800	-
Grants receivable	3,135	\$ 32,000
Prepaid expenses	4,135	4,140
Equipment, exhibit, and leasehold improvements, net (Note 4)	4,103	7,360
Other	1,875	1,870
Total Assets	\$ 15,048	\$ 45,370
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Bank overdraft		\$4,140
Installment note payable	-	39,010
Notes payable (Note 6)	167,972	26,150
Accounts payable	171,678	89,590
Accrued payroll and payroll taxes payable	38,400	11,720
Deferred grant revenue	-	2,500
Total Liabilities	378,050	173,110
 NET ASSETS		
Unrestricted (deficit)	(499,942)	(264,680)
Temporarily restricted (Note 7)	136,940	136,940
Total Deficiency in Net Assets	(363,002)	(127,740)
Total Liabilities and Net Assets	15,048	45,370

The accompanying notes are an integral part of these financial statements.

THE ASSOCIATION TO PRESERVE THE EATONVILLE COMMUNITY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT:			
Festival:			
Grants	\$ 188,502	-	\$ 188,502
Sponsorship and contributions	105,200	-	105,200
Ticket sales and registration	15,025	-	15,025
Vendor fees	52,280	-	52,280
Merchandise and drink sales	20,282	-	20,282
Other	22,032	-	22,032
In-kind contributions (Note 10)	459,072	-	459,072
Total festival revenue and support	\$ 862,393	-	\$ 862,393
County grants	\$ 113,545	-	\$ 113,545
Other grants	58,359	-	58,359
Contributions	31,830	-	31,830
Program fees and museum tours	13,667	-	13,667
Sale of merchandise	11,382	-	11,382
Other	3,989	-	3,989
Net assets released from restrictions			
Total Revenue and Support	\$ 1,095,165	-	\$ 1,095,165
EXPENSES:			
Program services	\$ 1,066,035	-	\$ 1,066,035
Supporting services:			
General and administrative	264,392	-	264,392
Fundraising	-	-	-
Total Program Services	\$ 1,330,427	-	\$ 1,330,427
Changes in net assets	(235,262)	-	(235,262)
Net assets:			
Beginning	(264,680)	136,940	(127,740)
Ending	(499,942)	136,940	(363,002)

The accompanying notes are an integral part of these financial statements.

THE ASSOCIATION TO PRESERVE THE EATONVILLE COMMUNITY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT:			
Festival:			
Grants	\$ 180,210	\$ -	\$ 180,210
Sponsorship and contributions	132,240	31,800	164,040
Ticket sales and registration	11,460	-	11,460
Vendor fees	60,610	-	60,610
Merchandise and drink sales	7,280	-	7,280
Other	12,200	-	12,200
In-kind contributions (Note)	323,000	-	323,000
Total festival revenue and support	\$ 727,000	\$ 31,800	\$ 758,800
County grants	\$ 116,960	\$ -	\$ 116,960
Other grants	24,420	45,220	69,640
Contributio ns	23,220	64,400	87,620
Program fees and museum tours	13,160	-	13,160
Sale of merchandise	9,010	-	9,010
Other	1,080	-	1,080
Net assets released from restrictions	46,390	(46,390)	-
Total Revenue and Support	\$ 961,240	\$ 95,030	\$ 1,056,270
EXPENSES:			
Program services	\$ 884,580	\$ -	\$ 884,580
Supporting services:			
General and administrative	177,650	-	177,650
Fundraising	30,020	-	30,020
Total expenses	\$ 1,092,250	-	\$ 1,092,250
Changes in net assets	(131,010)	95,030	(35,980)
Net assets:			
Beginning	(133,670)	41,910	(91,760)
Ending	(264,680)	136,940	(127,740)

The accompanying notes are an integral part of these financial statements.

THE ASSOCIATION TO PRESERVE THE EATONVILLE COMMUNITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	PROGRAM SERVICES			SUPPORTING SERVICES		TOTAL	
	Festival Costs	Neighborhood Centers for Families	Museum and Other Programs	Total Program Services	General and Administrative	Fundraising	Total Expenses
Salaries and related costs	91,258	\$ 60,742	\$ -	\$ 152,000	\$ 122,590	\$ -	\$ 274,590
Artistic fees and services	42,742	-	6,530	49,272	-	-	49,272
Transportation	3,969	-	824	4,793	62	-	4,855
Other services	55,855	-	1,586	57,441	37,523	-	94,964
Banquet and events	13,705	-	2,500	16,205	1,635	-	17,840
Printing	32,168	-	1,180	33,348	1,354	-	34,702
Travel and lodging	18,065	-	2,185	20,250	1,480	-	21,730
Street festival expenses	88,865	-	-	88,865	-	-	88,865
Promotion	499,544	-	-	499,544	300	-	499,844
Merchandise for sale	13,848	-	-	13,848	-	-	13,848
Supplies and office expenses	4,910	642	177	5,729	3,080	-	8,809
Insurance	14,274	-	1,775	16,049	10,807	-	26,856
Professional fees	4,918	-	-	4,918	12,000	-	16,918
Telephone and utilities	2,919	5,582	5,196	13,697	8,840	-	22,537
Rent	17,469	30,240	8,100	55,809	29,723	-	85,532
Equipment rental	3,353	-	63	3,416	4,176	-	7,592
Repairs and maintenance	-	481	2,385	2,866	687	-	3,553
Other	22,108	1,143	4,734	27,985	8,374	-	36,359
Legal	-	-	-	-	13,530	-	13,530
Interest	-	-	-	-	4,970	-	4,970
Depreciation	-	-	-	-	3,262	-	3,262
TOTAL	\$ 929,970	\$ 98,830	\$ 37,235	\$ 1,066,035	\$ 264,392	\$ -	\$ 1,330,427

The accompanying notes are an integral part of these financial statements.

THE ASSOCIATION TO PRESERVE THE EATONVILLE COMMUNITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	PROGRAM SERVICES			SUPPORTING SERVICES			TOTAL
	Festival Costs	Neighborhood Centers for Families	Museum and Other Programs	Total Program Services	General and Administrative	Fundraising	Total Expenses
Salaries and related costs	\$ 23,940	\$ 76,010	\$ 18,930	\$ 118,880	\$ 61,200	\$ 26,520	\$ 206,600
Artistic fees and services	77,730	-	2,040	79,770	-	-	79,770
Transportation	14,270	-	-	14,270	200	-	14,470
Other services	53,740	-	3,150	56,890	530	3,500	60,920
Banquet and events	7,490	-	-	7,490	-	-	7,490
Printing	18,550	-	4,210	22,760	200	-	22,960
Travel and lodging	14,710	-	8,760	23,470	4,200	-	27,670
Street festival expenses	74,020	-	-	74,020	-	-	74,020
Promotion	332,400	-	4,830	337,230	-	-	337,230
Merchandise for sale	3,860	-	-	3,860	-	-	3,860
Supplies and office expenses	27,630	1,810	2,380	31,820	3,180	-	35,000
Insurance	14,270	-	1,590	15,860	10,120	-	25,980
Professional fees	-	-	-	-	30,360	-	30,360
Telephone and utilities	2,190	5,130	4,240	11,560	10,390	-	21,950
Rent	20,670	33,790	8,050	62,510	22,450	-	84,960
Equipment rental	-	-	240	240	5,970	-	6,210
Repairs and maintenance	-	930	3,100	4,030	520	-	4,550
Other	-	1,200	2,260	14,680	18,620	-	33,300
Interest	11,220	-	-	-	7,110	-	7,110
Depreciation	-	5,240	-	5,240	2,600	-	7,840
TOTAL	\$ 696,690	\$ 124,110	\$ 63,780	\$ 884,580	\$ 177,650	\$ 30,020	\$ 1,092,250

The accompanying notes are an integral part of these financial statements.

THE ASSOCIATION TO PRESERVE THE EATONVILLE COMMUNITY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

2010 (DIRECT METHOD)

Cash Flows from Operating Activities:

Cash received from festival, grants, contributions, fees, and sales	\$ 741,680
Cash paid to employees, vendors, and suppliers	(717,060)
Interest paid	(7,110)
Net cash provided by operating activities	17,510

Cash Flows from Financing Activities:

Draws on line of credit	135,510
Repayment of line of credit	(149,360)
Repayment of installment debt	(8,600)
Net cash used in financing activities	(22,450)

Net decrease in cash	(4,940)
Cash, beginning of period	800
Cash (overdraft), end of period	\$ (4,140)

2011 (INDIRECT METHOD)

Cash Flows from Operating Activities:

Change in net assets	\$ (235,261)
Adjustments to reconcile net assets to net cash provided by operating activities:	
Depreciation	3,262
Changes in operating assets and liabilities:	
Grants receivable	28,865
Accounts payable	82,088
Accrued payroll	26,680
Deferred revenue	(2,500)
Net cash used in operating activities	(96,866)

Cash Flows from Financing Activities:

Proceeds from board member loans, net	102,806
Net cash used in financing activities	102,806

Net increase in cash	5,940
Cash, beginning of period	(4,140)
Cash, end of period	\$ 1,800

The accompanying notes are an integral part of these financial statements.

**THE ASSOCIATION TO PRESERVE THE EATONVILLE COMMUNITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization – The Association to Preserve the Eatonville Community, Inc. (the Association) was incorporated in March 1988, to preserve and enhance the quality and nature and physical environment in Eatonville; to educate the public about historic, cultural, architectural, and scenic preservation and resources; and to seek the designation of Eatonville, Florida as a historic area.

The Association receives its funding primarily from an annual festival, including grants and sponsorships from the county and private entities.

Programs

Festival – An annual celebration of the life and work of Zora Neale Hurston; the historic significance of Eatonville, Florida, popularly known as the “oldest incorporated municipality in the United States to be founded by African Americans,” and the cultural contributions made to the United States and the world by people of African descent.

Neighborhood Centers for Families – Programs funded by Orange County, Florida to provide support and education to youths in areas of reading, writing, computer arts, life skills and the arts in various Orange County communities.

Museum and Other Programs – The Association operates a museum and maintains an exhibit related to the historical aspects of Eatonville, Florida. It also sponsors various educational trips and programs designed to educate and preserve the historical significance of people of African descent and conduct other activities as described in Neighborhood Center for Families.

The Association is a tax-exempt organization under the provisions of Section 501(c)(3) of the Internal Revenue Code and is classified as other than private foundation. The Association’s federal income tax and informational returns for the years ended September 30, 2008 and later remain subject to examination.

Donated Services

The Association recognizes donated services meeting the requirements of generally accepted accounting principles in the financial statements at estimated fair values.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through May 4, 2012, which is the date the financial statements were available to be issued.

THE ASSOCIATION TO PRESERVE THE EATONVILLE COMMUNITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Basis of Accounting

The Association prepares its financial statements on the accrual basis of accounting and revenues are recognized when earned and expenses are recognized when incurred.

Statement of Cash Flows – For the audited financial statements for the year ended September 30, 2010, the statement of cash flows was prepared by the predecessor auditor using the direct method. For the year ended September 30, 2011, the statement of cash flows was prepared using the indirect method.

Basis of Presentation

Financial statement presentation follows the Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under ASC 958, the Association is required to report information regarding its financial position and activities according to three classes of assets – unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net asset categories follows:

- Unrestricted – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.
- Temporarily restricted – Net assets whose use by the Association is subject to donor-imposed restrictions that can be fulfilled by actions of the Association pursuant to those restrictions or that expire by the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- Permanently restricted – Net assets subject to donor-imposed restrictions that must be maintained permanently by the Association.

Contributions and Revenue Recognition

In accordance with ASC 958, grants and other contributions received are recorded as revenue in the period received and classified as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor imposed restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Interest and other income are recognized when earned.

Unconditional promises to give (pledges) are recognized as revenues at their fair values in the period pledged. The Association provides an allowance for doubtful accounts when necessary. Unconditional promises to give are temporarily restricted until time restrictions expire or the funds are used for the restricted purpose.

Conditional promises to give (conditional pledges) are recognized as revenues when the conditions are substantially met. Conditional promises to give are recorded as unrestricted revenue in the period which the conditions have been substantially met.

Contributions that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily or permanently restricted contributions based on the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets.

The accompanying notes are an integral part of these financial statements.

**THE ASSOCIATION TO PRESERVE THE EATONVILLE COMMUNITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

Noncash contributions received by the Association are recorded at management's estimate of the fair market value at the date received.

Contributed services are reported at fair value in the financial statements for voluntary donations of services when those services (1) create or enhance non-financial assets or (2) require specialized skills provided by individuals possessing those skills and are services which would be typically purchased if not provided by donation.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the organization considers all cash and investments with an original maturity of three months or less when purchased to be cash equivalents. At September 30, 2011, the Association did not have any cash equivalents.

Equipment

Equipment, exhibit, and leasehold improvements in excess of \$1,000 are capitalized at cost when purchases, and at fair value when donated. Depreciation is recognized using the straight line method over the estimated useful life of an asset.

NOTE 2 – GRANTS RECEIVABLE

The Association recognizes grant revenue as the funds are utilized for grant purposes and which stipulated conditions have been substantially met. Accounts receivable from grants represents funds expended for the specific program but not yet reimbursed from the funding agency. All accounts receivable are due within one year. The Association does not establish an allowance for doubtful accounts because all accounts receivable are considered collectible. If accounts become uncollectible, The Association's policy is to charge those amounts to operations when they are determined uncollectible.

NOTE 3 – DEFERRED GRANT REVENUE and TEMPORARILY RESTRICTED CASH

Deferred grant revenue represents funds received from the program grant but not yet expended and which stipulated conditions have not been met. This same amount is considered temporarily restricted cash. As of September 30, 2011, there was no deferred grant revenue from grants and contracts.

THE ASSOCIATION TO PRESERVE THE EATONVILLE COMMUNITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE 4 – PROPERTY

Property as of September 30, 2011 and 2010 is as follows:

	<u>September 30, 2011</u>	<u>September 30, 2010</u>
Vehicles	\$ 45,000	\$ 45,000
Office and computer equipment	109,851	109,850
Exhibit	47,311	47,310
Leasehold improvements	11,412	11,410
	<hr/>	<hr/>
Total property	213,574	213,570
Less: accumulated depreciation	209,471	206,210
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Net property	\$ 4,103	\$ 7,360

NOTE 5 – INSTALLMENT NOTE PAYABLE

The Association refinanced \$50,000 of current debt (line of credit) to installment debt in 2009. The note bears interest at 6.5%, is payable in monthly payments of \$980 including interest, and matured on June 16, 2011. The note was secured by all assets owned by the Association. The balance outstanding at September 30, 2010 was \$39,010. On July 29, 2011, this line of credit was consolidated into the Association's note payable as mentioned in Note 6.

NOTE 6 – NOTES PAYABLE

The Association has a loan with a bank in the amount of \$64,267 as of September 30, 2011. The loan bears interest at 7% and is secured by all assets owned by the Association. The note will mature on July 29, 2014.

The Association has collected additional funds from related parties to assist in operations. These obligations do not have a maturity date nor do they accrue interest. They are payable at the party's demand or as funds to repay the debt become available.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Restrictions on net assets at September 30, 2011 and 2010 are as follows

	<u>September 30, 2011</u>	<u>September 30, 2010</u>
Program use restrictions:		
Renovation funding	\$10,000	\$10,000
Time restrictions:		
Specific program support	95,000	95,000
General program support	30,730	30,730
Other	1,210	1,210
	<hr/>	<hr/>
Total	\$136,940	\$136,940

The accompanying notes are an integral part of these financial statements.

**THE ASSOCIATION TO PRESERVE THE EATONVILLE COMMUNITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

NOTE 8 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions during the years ended September 30, 2011 and 2010 were \$0 and \$46,390, respectively.

NOTE 9 – LEASE COMMITMENTS

The Association leases various facilities for its offices, museum, and computer training. Rent expense for these leases totaled \$22,401 and \$21,600 for the years ended September 30, 2011 and 2010, respectively.

NOTE 10 – IN-KIND CONTRIBUTIONS

The following in-kind contributions, at estimated fair values, are included in these financial statements:

	<u>September 30, 2011</u>	<u>September 30, 2010</u>
Festival:		
Marketing and promotion	\$205,790	\$285,000
Exhibit direction fees	50,782	19,500
Other	<u>202,500</u>	<u>18,500</u>
Total	<u>\$459,072</u>	<u>\$323,000</u>

NOTE 11: CONTINUITY OF OPERATIONS

The Association has generated operating losses in six of the past seven years ended September 30, 2011, and has accumulated losses in excess of its assets in the amount of \$363,002 at September 30, 2011. These losses, along with current economic conditions and results of operations, have had a negative impact on the Association’s cash flow and therefore, its ability to operate.

As of April 19, 2012, the Association has taken measures to reduce their net asset deficit. It has implemented a plan to satisfactorily settle all of its debt obligations, less the debt owed to a board member, within a three year period. In addition, the Association is developing new sources of revenue to assist in the deficit reduction. The Association believes that utilizing these measures will return it to a stable and sustainable financial position in the near future.